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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000925

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EUR/NCE FOR FICHTE, PM/RSAT FOR DOWLEY, OSD/ISP FOR ZACCOR
AND SADOWSKA, OSD/FP FOR IARROBINO AND MINATELLI, NSC FOR
DAMON WILSON

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TAGS: [PGOV](#) [PREL](#) [MARR](#) [MASS](#) [MOPS](#) [EZ](#)

SUBJECT: CZECH REPUBLIC: GOVERNMENT WITH TWO BIG PARTIES
WOULD BE EVEN BETTER FOR USG INTERESTS

REF: A. PRAGUE 771
[1](#)B. PRAGUE 737
[1](#)C. PRAGUE 610

Classified By: Deputy Chief of Mission Cameron Munter
for reasons 1.4 B & D.

[1](#)1. (C) SUMMARY AND COMMENT: Two months after winning the June 2-3 general elections and unsuccessfully trying to form a new government with a three-party right-of-center coalition that holds exactly half of the seats in Parliament, the Civic Democrats (ODS) have finally declared the coalition dead and reluctantly entered into direct talks with the rival Social Democrats (CSSD). This step is widely regarded by analysts as inevitable (ref A), and while negotiations are expected to be difficult and protracted, an ODS-CSSD arrangement would ultimately be acceptable, in some cases even good, for the Czech Republic and for USG interests. While an ODS-led three-party coalition with the Christian Democrats and the Greens would not have been a problem for transatlantic relations (ref B), the even split in Parliament would have made the coalition's ability to pass critical legislation precarious at best. By contrast, an ODS-led government with some sort of explicit or implicit support from the CSSD would yield a more centrist and more stable government with 155 seats in the 200-seat Parliament. And for such critical issues as missile defense, foreign deployments, transformational diplomacy and business climate, having the two biggest and most influential parties in government would increase the likelihood of support for those USG interests. Having CSSD "inside the tent" means it is less inclined to be reflexive contrarians to pro-USG ODS policies, and also the key to reigning in the Communists, CSSD's traditional ally.
END SUMMARY AND COMMENT.

THE RELENTLESS BULLDOZER

[1](#)2. (U) The June 2-3 parliamentary elections resulted in a stalemate, with the opposition Civic Democrats (ODS) winning the election, but without enough votes to form a government on its own and the three center-left parties holding exactly 100 seats in the 200-seat chamber. The ruling Social Democrats (CSSD) and the Communists (KSCM) received the other 100 seats. Immediately after the election, ODS Chairman Mirek Topolanek hammered out an agreement with the leaders of the Christian Democrats (KDU-CSL) and the Greens (SZ) and did his best to persuade Prime Minister Jiri Paroubek (CSSD) to resign and support the proposed ODS-led coalition. Paroubek, true to his nickname "bulldozer" and despite having lost the election, continues to parry Topolanek's every move and

continues to rule more than two months after the election.

NO CSSD DEFECTORS AND EARLY ELECTION HURDLES
FORCE ODS AND CSSD TO THE TABLE

13. (C) Since day one, the fastest way to break the election stalemate appeared to be for one side to persuade one or two rival parliamentarians to betray their party in the initial vote of confidence. ODS Deputy Chair Vladimir Tlustý confirmed to poloff August 8 that ODS has been trying to do this since day one, unsuccessfully. Tlustý said he wasn't even sure that such a parliamentarian existed, though he initially thought that with 100 freshmen in the 200-seat chamber, there might be one or two who would fear early elections and might choose to suspend their principles in the interest of continued employment.

14. (C) As the post-election impasse dragged on through July and into August, the possibility of early elections was increasingly raised by both political figures and analysts as the cleanest and most honest solution to the impasse. It is worth noting that the constitutional mechanism for early elections is very unwieldy, making them much easier to discuss than actually hold, and several interlocutors have said early elections would only be feasible in one to two years given all the necessary interim steps to get to early elections (ref C). Tlustý believes early elections are not realistic and points out that 120 votes are needed to pass new election legislation, a distant prospect in the current 100-100 stalemate. Another ODS parliamentarian Jiri Pospisil, shadow justice minister and legal expert, told poloff July 28 that he was opposed to any attempt at tinkering with the constitution "just to get out of the current stalemate." In addition, with the rotating

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presidency of the EU scheduled to come to Prague in January 2009, there is a feeling that a change in government two years from now might not be advisable.

15. (C) In the end, ODS Chair Topolánek had little choice but to give in to the inevitable and began direct negotiations with his rival, PM Paroubek (reftel C). While there is not yet a sign of agreement between the two major parties, the possible outcome of on-going negotiations are: (1) ODS minority government with ad hoc support from CSSD, (2) ODS minority government with an explicit opposition agreement with CSSD, (3) grand coalition with ODS and CSSD. ODS continues to face internal political challenges with the prospect of an ODS-CSSD government. Tlustý told poloff that an exclusive agreement with CSSD is "simply not possible" because Topolánek would not be able to sell it to ODS members or the voters. Tlustý says ODS would have to have at least one more party, and preferably both the Greens and the Christian Democrats, inside the tent. Paroubek, on the other hand, continues to state unequivocally that he wants no part of any agreement that includes either the Christian Democrats or the Greens.

16. (U) The end of the three-party coalition is a blow for the Christian Democrats and the Greens, and in particular their respective party leaders Miroslav Kalousek and Martin Bursík, who, against some opposition from rank and file in both parties, threw in their lots with Topolánek. Had Topolánek succeeded, the smaller parties would have been rewarded with two or three ministries each. If they end up as part of an awkward and superfluous opposition with the Communists, they could be left with little more than walk-on roles.

WHEN WILL THIS BE RESOLVED? KEY DATES

17. (U) There are a few deadlines that CSSD and ODS negotiators will have in mind. Topolánek is due to meet President Klaus on August 11 and give him a report on the progress of the ODS-CSSD talks. At the same time, Parliament is scheduled to meet August 11 to try and elect a Speaker for

the seventh time since the June elections. If ODS and CSSD have made sufficient progress, they could unite on a candidate for Speaker, which would trigger a number of constitutional steps, including the resignation of the current government and the formal nomination of a new Prime Minister. However, there is no evidence as of August 8 that the two parties will reach such a consensus by August 11.

¶8. (C) The next deadline will be the need to pass a budget for 2007. Parliament normally debates and passes the budget bill in September, or October at the latest. Presidential Adviser Mravec told the DCM on August 4 that the big focal point of ODS-CSSD negotiations will be the budget, the least contentious and most pressing issue. He says both parties are in the "what can we live with" mode.

¶9. (C) Finally, most parties have their annual Congresses towards the end of November or early December. Tlustý predicts that for ODS, the deadline for a resolution to the ongoing stalemate is their November Congress. He admitted that there are divisions within the party, particularly between Prague and the regions. And if, by November, the Prague-based leadership (Topolánek, Tlustý, Petr Necas, Ivan Langer) hasn't engineered a solution that reflects the election victory and leaves ODS in charge of the government, Tlustý warned, "we'll all be kicked out."

IMPLICATIONS FOR USG INTEREST

¶10. (C) While negotiations between ODS and CSSD have only just begun, most analysts regard it as inevitable and ultimately a more stable and centrist government than any other coalition alternative. ODS and CSSD together have 155 seats (77.5%) in the 200-seat chamber. The three smaller parties (Christian Democrats, Greens, and the Communists), should they oppose an ODS-CSSD arrangement, would have major ideological differences among them, and even if they were to unite, they would only have 45 seats, too few to stop any legislation supported by ODS and CSSD. In view of USG interests in missile defense, transformational diplomacy and business climate in the Czech Republic, the prospect of an ODS-CSSD government of some sort is a positive development. This is especially true for missile defense, where having the CSSD in government means they would be more likely to support

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MD and less likely to play opposition to ODS, which is 100% in favor of MD, according to Tlustý. On transformational diplomacy, both ODS and CSSD have been supportive of the Czech Republic's strong leadership role within the EU and outside, particularly in such areas as Cuba, Belarus and the Balkans. On business climate, both parties are strongly for continued foreign direct investment inflows and export promotion, the Achilles heel of the Czech economy and its robust growth. However, transparency and corruption is one issue that is not/not likely to improve under an ODS-CSSD regime.
CABANISS